

The National Income Produced, 1929-34

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ESTIMATES of the national income paid out for the years 1929 to 1934, inclusive, were presented in the August 1935 issue of the Survey of Current Business. Since the publication of these estimates on income paid out, requisite basic data have become available making possible the completion of estimates

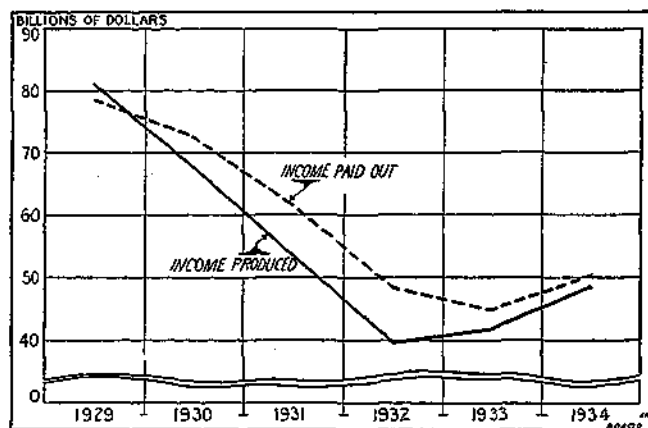


Chart I.—Trend of national income paid out and produced

of the national income produced as well as permitting necessary revisions in the income paid out figures.¹ In analyzing changes in the nature and extent of economic activities through the medium of the national income estimates, it is important to give consideration to income produced as well as to income paid out and also to the residual item of business savings and losses.

Definition of Terms

The *national income produced* represents the aggregate value of all commodities produced and services rendered, less the value of raw materials depleted and capital equipment worn out in the processes of production. More briefly it may be defined as the net product of the national economy. *Income paid out* may be defined as the compensation paid to or received by individuals for their productive services, whether labor, management, or the furnishing of capital. If payments by all business enterprises to all individuals for their services (national income paid out) are less than the aggregate net product of the nation (national income produced), then the business enterprises of the country have retained a portion of the net product. This portion is termed *business savings*. If, however, the national income produced is less than the national income paid out, then the business enterprises of the nation have maintained the income payments by

drafts upon business resources. These drafts are termed *business losses*. Income paid out and business savings or losses are estimated directly, whereas income produced is arrived at by adding business savings to or deducting business losses from income paid out.²

As defined in this study, *business savings* or *business losses* represent the difference between the total national income produced and the total national income paid out and should not be confused with the ordinary conception of business profits or deficits, with changes in the surplus accounts of business establishments, nor with variations in the national wealth. Business profits are usually considered as the amount available for dividends and entrepreneurial withdrawals whereas *business savings* or *losses* are herein regarded as the residual after the payment of dividends and the withdrawals of entrepreneurs. Insofar as surplus is concerned, there are many factors other than the volume of *business savings* or *losses* which effect changes in the surplus accounts of business enterprises. The revaluation of capital assets, profits from the sale of capital assets, corporate reorganizations, and the capitalization of surplus are some of the more important ways in which changes in surplus can be brought about other than by the transfer of *business savings* or *losses* to surplus. Statistics of *business savings* and *losses* shed but little light upon changes in the wealth of the nation. Fluctuations in the general price level and in the volume of savings of individuals are perhaps two of the most important factors causing changes in the dollar volume of the national wealth. *Business savings* or *losses* are significant, however, in reflecting the extent to which business enterprises retain a portion of the net product during periods of prosperity and also the extent to which they maintain payments during periods of depressions by drawing upon existing resources.

Income Produced Up 23 Percent from 1932 to 1934

From the depression low in 1932, national income produced increased 9 billion dollars, or 23 percent, to a total of 48.6 billion dollars in 1934. From 1933 to 1934, the increase in income produced was 6.7 billion dollars, or 16 percent, as compared with a gain of 5.2 billion dollars, or 12 percent, in the national income paid out. As a result of the larger gain in income produced relative to income paid out, business losses declined by nearly 50 percent from 1933 to 1934. The draft upon business resources necessary to maintain income payments in the form of wages, salaries,

¹ The figures presented in this article represent the latest estimates of the Department of Commerce and are those which will be presented in the complete volume on national income to be published in the near future. The revisions in the estimates of income paid out made since preliminary data were published in the August issue, were due to the receipt of data on all corporate operations in 1933 and new data received on rental income and on the motor-trucking industry. In compiling the estimates in the August issue, it was necessary to use sample corporate data for both 1933 and 1934; current estimates use sample data only for 1934.

² For a more comprehensive discussion of these concepts and of the scope and limitations of the estimates, the reader should refer to "National Income, 1929-32", Senate Document No. 124, 73d Cong., 2d sess., and to the forthcoming publication on this subject by the Department of Commerce.

dividends, interest, entrepreneurial withdrawals, and rents had reached the huge total of 8.8 billion dollars in 1932. By 1934 these business losses were reduced to 1.6 billion dollars.

Table 1.—National Income Paid Out and Produced
[Millions of dollars]

Item	1929	1930	1931	1932	1933	1934
Income produced.....	81,034	67,917	53,584	39,545	41,889	48,561
Business savings.....	2,402	-5,015	-8,120	-8,817	-3,051	-1,628
Income paid out.....	78,632	72,932	61,704	48,362	44,940	50,189
Percentages of 1929						
Income produced.....	100.0	83.8	66.1	48.8	51.7	59.9
Business savings.....	100.0	92.8	73.5	61.6	57.1	63.8
Income paid out.....	100.0	97.9	89.5	80.8	76.2	73.7
Bureau of Labor Statistics cost of living index.....	100.0	90.7	76.6	68.0	69.2	78.6
Bureau of Labor Statistics wholesale price index.....	100.0	90.7	76.6	68.0	69.2	78.6

Table 1 shows the latest Department of Commerce estimates for each of these items for the years 1929 to 1934, inclusive. In 1929, the first year covered by the estimates, income produced totaled 81 billion dollars and exceeded the income paid out aggregate by 2.4 billion dollars. In 1930, the 13.1 billion dollar decline in the national income produced was more than twice as large as the drop of 5.7 billion dollars in income paid out and as a result business enterprises sustained estimated net losses of 5 billion dollars in that year. The decline in income produced in 1931 was 3.1 billion dollars larger than the decline in income paid out and business losses rose to 8.1 billion dollars. In 1932, the drop in the total income produced was slightly in excess of the decrease in the total income paid out and estimated business losses reached the peak of 8.8 billion dollars. The increase in income produced in 1933, while income paid out was continuing to decline, led to a 5.8 billion dollar decrease in business losses in that year.

Substantial Fluctuations in Real Income Produced

While these estimates of the national income present striking evidence of the impact of the depression upon our economic structure, it must be recognized that the national income is measured in terms of dollars, and the price level is an important influence in determining the movement of the estimates. While income produced was declining 51 percent from 1929 to 1932, the Bureau of Labor Statistics index of wholesale prices fell 32 percent. During the next 2 years income produced rose 23 percent while the wholesale price index increased 16 percent. Since income produced represents the net value of services rendered as well as commodities produced and since the wholesale price index represents only commodities, it cannot be used to deflate the income estimates. It is apparent, however, that the fluctuations in the national income were more than mere price phenomena and that there was a substantial reduction from 1929 to 1932 and an increase from 1932 to 1934 in the volume of goods

produced and services rendered in the United States. The marked decline and subsequent rise in the total number of persons employed and commodities produced during this period tend to substantiate this conclusion.

Largest Relative Improvement in Agriculture

As shown in table 2, the effect of the depression upon the various industries of the country was by no means uniform. The declines in income produced in private industries from 1929 to the low for the depression varied from 30 percent in the electric light and power and manufactured gas industry to 82 percent in the construction industry. The gains from the depression lows to 1934 were also highly variable. From 1932 to 1934 agriculture showed a gain in income produced of 91 percent, mining registered an increase of 78 percent, and manufacturing showed a rise of 74 percent. Income produced in the agricultural industry increased from 33 percent of the 1929 level in 1932 to 62 percent in 1934. The construction industry was the major exception to the tendency for those industries which had shown the largest declines to record the largest subsequent gains. Income produced in the construction industry in 1934, although higher than in 1933, was less than one-fourth as large as in 1929. For all governmental agencies, including those providing work relief, the level of income payments to individuals increased in each year subsequent to 1929. From 1929 to 1934 the gain was 23 percent with work-relief programs included, and 3 percent when they are excluded.

Table 2.—Income Produced, by Industrial Divisions

[Millions of dollars]						
Item	1929	1930	1931	1932	1933	1934
Total income produced.....	81,034	67,917	53,584	39,545	41,889	48,561
Agriculture.....	7,159	5,555	3,601	2,335	3,300	4,451
Mining.....	1,894	1,307	701	474	522	842
Electric light and power and gas.....	1,295	1,197	1,125	985	907	924
Manufacturing.....	19,308	14,072	9,526	5,623	7,797	9,791
Construction.....	3,225	2,756	1,742	670	595	720
Transportation.....	7,216	6,206	5,007	3,760	3,746	3,999
Communication.....	1,023	994	906	744	656	683
Trade.....	10,955	9,131	7,372	5,254	5,772	6,340
Finance.....	8,219	7,113	6,702	4,360	3,677	3,850
Government including work relief program.....	6,805	7,043	7,189	7,148	7,300	8,381
Government excluding work relief program.....	6,805	7,043	7,189	7,148	6,741	6,992
Work relief program.....	0	0	0	0	619	1,389
Service.....	0,207	8,459	7,196	5,379	4,957	5,802
Miscellaneous.....	4,728	4,084	3,515	2,813	2,601	2,755
Percentages of 1929						
Total income produced.....	100.0	83.8	66.1	48.8	51.7	59.9
Agriculture.....	100.0	77.6	50.3	32.6	46.1	62.2
Mining.....	100.0	69.0	37.0	25.0	27.6	44.5
Electric light and power and gas.....	100.0	92.4	86.9	76.1	70.0	71.4
Manufacturing.....	100.0	72.9	49.3	29.1	40.4	50.7
Construction.....	100.0	85.5	54.0	20.8	18.4	22.6
Transportation.....	100.0	86.0	69.4	52.1	51.9	55.4
Communication.....	100.0	97.2	88.6	72.7	64.0	67.3
Trade.....	100.0	83.4	67.3	48.0	52.7	57.9
Finance.....	100.0	86.6	69.4	53.0	44.7	47.0
Government including work relief program.....	100.0	103.5	105.6	105.0	108.2	123.2
Government excluding work relief program.....	100.0	103.5	105.6	105.0	99.1	102.7
Work relief program.....	100.0	91.9	78.2	58.4	63.8	63.0
Service.....	100.0	85.4	74.3	59.5	55.0	58.3
Miscellaneous.....	100.0	85.4	74.3	59.5	55.0	58.3

Relative Importance of Each Industry Varies Considerably

As a result of the variations in the trends for the different industries, the proportion of the national income produced in each industrial division fluctuated widely from year to year. (See table 3 and chart II.) As a result of the marked gains in 1933 and 1934, agriculture's relative share in the national total was

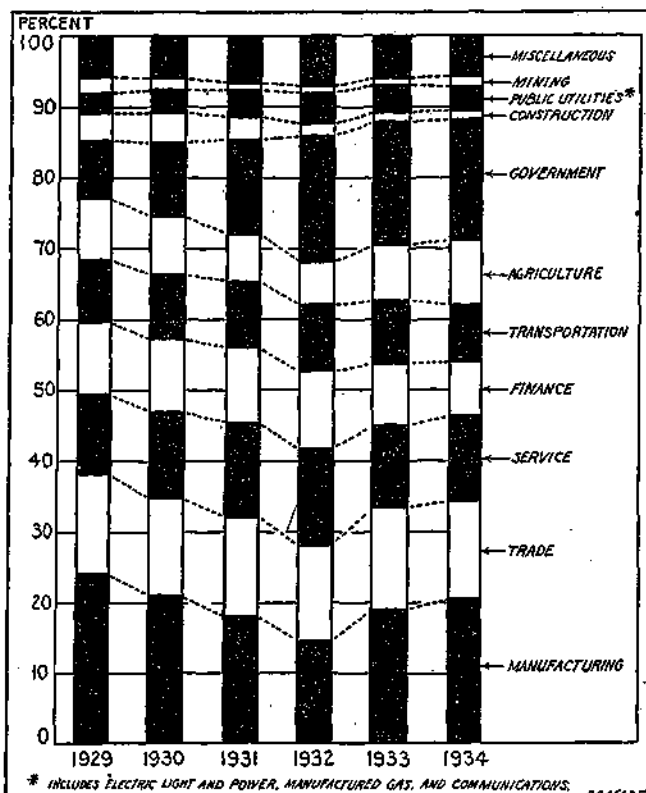


Chart II.—Distribution of Income produced by Industrial divisions

higher in 1934 than in any of the other years covered. The relative shares of the mining and manufacturing industries fell off considerably from 1929 to 1932 and recovered substantially in the following 2 years. Manufacturing accounted for almost one-fourth of the total in 1929, less than one-seventh in 1932, and approximately one-fifth in 1934. The construction industry contributed 4 percent of the national income

produced in 1929 and only 1.4 percent in 1933 and 1.5 percent in 1934. The proportion accounted for by all governmental agencies in the country rose from 8 percent in 1929 to 18 percent in 1932, in which year it was larger than that of any other industry. Government's proportion declined in 1933 and 1934, even with the inclusion of the various work-relief programs. Excluding the work-relief programs, the relative importance of Government dropped from 18 percent in 1932 to 14 percent in 1934. It is apparent from chart II that the changes from 1932 to 1934 generally tended to bring the industries closer to the relative status of the predepression period.

Table 3.—Percent of Income Produced by Industrial Divisions

	1929	1930	1931	1932	1933	1934
Total income produced.....	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture.....	8.8	8.2	6.7	5.9	7.9	9.2
Mining.....	2.3	1.9	1.3	1.2	1.2	1.7
Electric light and power and gas.....	1.6	1.8	2.1	2.5	2.2	1.9
Manufacturing.....	23.8	20.7	17.8	14.2	18.6	20.2
Construction.....	4.0	4.1	3.8	1.7	1.4	1.5
Transportation.....	8.9	9.1	9.3	9.5	8.9	8.2
Communication.....	1.3	1.5	1.7	1.9	1.6	1.4
Trade.....	13.5	13.4	13.8	13.3	13.8	13.1
Finance.....	10.2	10.5	10.6	11.0	8.8	7.9
Government.....	8.4	10.4	13.4	18.1	17.6	17.3
Service.....	11.4	12.4	13.4	13.6	11.8	11.9
Miscellaneous.....	5.8	6.0	6.6	7.1	6.2	5.7

The Department of Commerce will publish in the near future a volume presenting the national-income estimates for the 6 years, 1929 to 1934, inclusive, in detail, showing the classifications of income produced and income paid out by industrial divisions and types of payments as well as estimates of the number of persons engaged and the per capita incomes. This report will also point out the limitations of the data. The classifications will be comparable to those developed in "National Income, 1929-32", Senate Document No. 124, Seventy-third Congress, second session, which was prepared by the Department of Commerce with the cooperation of the National Bureau of Economic Research. The forthcoming volume will include a discussion of the concepts and scope of the income estimates and detailed descriptions of the sources of data and of the methods of making the estimates.